CHESSWOOD ANNOUNCES SECOND QUARTER 2023 RESULTS

TORONTO, August 8, 2023 – Chesswood Group Limited ("**Chesswood**" or the "**Company**") (TSX: CHW), a publicly traded North American specialty finance company providing commercial equipment leases and loans, automotive loans, home improvement financing, legal financing and asset management, today reported its results for the three and six months ended June 30, 2023.

Highlights

- *Canadian Auto Financing Segment total originations of $77.5[1] million for the six months ended June 30, 2023, an increase of 22% from the same period in the prior year.*

- *The Vault Home consumer financing business had total originations of $42.7 million for the six months ended June 30, 2023, a substantial increase from $8.5 million in the same period in the prior year.*

- *Total assets under management have significantly increased, reaching $434.3 million at June 30, 2023, which has resulted in increased recurring fee income generated by our asset management segment.*

"Delinquency trends in Q1 remained a headwind in the second quarter, leading to a higher provision for credit losses for the year to date," said Ryan Marr, Chesswood's President and CEO. "Credit weakness is predominantly concentrated in the U.S. transportation sector, where industry fundamentals have been deteriorating since mid-2022. Recent industry data suggest that this sector is bottoming, and therefore we are looking for delinquency trends to stabilize in the back half of the year."

"We are not satisfied with the operating results in the first half of 2023 and have begun implementing cost savings measures for the remainder of the year. The impact of higher interest rates poses a significant challenge for Chesswood's subsidiaries. Therefore, we continue to focus on expanding our fee-based products as one of our core strategies to address these challenges," said Mr. Marr.

"Investor appetite for commercial and consumer loans with established securitization programs continues to attract new capital. As a result, the opportunity for Chesswood Capital Management remains robust. While recessionary environments are challenging for any business, our teams are ready to capitalize on the opportunities ahead," added Mr. Marr.

Summary of Second Quarter Results

The Company reported consolidated net income of $1.8 million for the three months ended June 30, 2023, compared to $9.7 million in the same period of 2022. The decrease was caused by greater net charge-offs and rising interest rates, the latter of which was further impacted by the Company's higher debt outstanding balance. Increased revenues from portfolio growth and greater off-balance sheet sales partially offset these factors.

The U.S. Equipment Financing Segment generated revenue of $38.8 million ($33.1 million interest revenue and $5.7 million ancillary finance and other fee income) during the three months ended June 30, 2023. Interest revenue decreased by US$0.9 million due to a decrease in average net investment in finance receivables (before allowance for expected credit losses ("ECL")) compared to the same period in the prior year and a decrease in the average interest revenue yield earned compared to the same period in the prior year. The reduction in overall yield was due to the greater mix of Tandem generated receivables, which have a lower yield, and the sale of current originations to our off-balance sheet collaborators and funds managed by Chesswood Capital Management.

The Canadian Equipment Financing Segment generated revenue of $26.2 million ($20.2 million interest revenue and $6.0 million ancillary finance and other fee income) during the three months ended June 30, 2023, an increase of $9.4 million from the same period in the prior year. The Canadian Equipment Financing Segment's average net investment in finance receivables (before allowance for ECL) increased approximately

$226.7 million in the three months ended June 30, 2023 (to $763.5 million), compared to the same period in the prior year. In addition, the Canadian Equipment Financing Segment sold $90.6 million of leases and loans under off-balance sheet arrangements, while the on-balance sheet portfolio reached an interest revenue yield of 10.6% in the second quarter of 2023 compared to the 10.4% achieved in the same period last year. The increase in net income was due to higher revenue levels partially offset by increased interest and other expenses.

The Canadian Auto Financing Segment generated revenue of $12.6 million ($11.4 million interest revenue and $1.2 million ancillary finance and other fee income) during the three months ended June 30, 2023, an increase of $1.6 million compared to the same period in the prior year. The Segment's average net investment in finance receivables (before allowance for ECL) increased by approximately $37.5 million in the three months ended June 30, 2023 (to $258.5 million), compared to the same period in the prior year. Net income was reduced in the second quarter of 2023 because of higher interest expenses and net charge-offs.

The Company recognized a provision for credit losses of $16.7 million, an $8.5 million increase compared to the same period in the prior year. The increase was primarily related to higher net charge-offs in the quarter.

The quarter's free cash flow[(2)] for the quarter was $0.4 million, down $5.4 million from Q1 2023. The decrease in free cash flow resulted from increased interest and net charge-offs during the quarter.

Outlook

U.S. credit conditions were weak in the first half of 2023. Negative performance appears to be localized to the transportation vertical rather than broad-based weakness across all verticals. We have staffed up our collections teams and tightened credit standards for new approvals. We have seen these sentiments echoed by our peers, who are seeing similar performance patterns. Competitors have followed suit, passing on higher prices to end customers. As in previous cycles, we believe we are likely seeing our best origination opportunities today.

Our Canadian entities are performing well, and credit performance appears to be diverging from the U.S. While pleased with this result, we are cautious, knowing that Canada is not immune to U.S. weakness.

The combination of high interest rates and higher credit losses creates a difficult environment for financial services operators. However, we believe that the source of this weakness is beginning to stabilize, as evidenced by pricing increases across our divisions as well as off-balance sheet management opportunities for new originations. In the meantime, we are focused on liquidity and cost control to manage through future quarters.

Consolidated Operating and Financial Results

Financial Highlights (in CDN $000s, except EPS)	**For the Three Months Ended June 30**		**For the Six Months Ended June 30**	
	2023	**2022**	**2023**	**2022**
Revenue	$80,457	$68,985	$161,600	$126,235
Interest expense	(28,661)	(17,133)	(59,618)	(29,220)
Net charge-offs	(17,237)	(3,904)	(30,111)	(3,497)
	34,559	47,948	71,871	93,518
Personnel expenses	(16,441)	(15,761)	(33,184)	(30,350)
General and administrative expenses	(15,956)	(10,775)	(28,986)	(20,941)
Depreciation	(464)	(432)	(924)	(865)
Adjusted Operating Income(2)	**$1,698**	**$20,980**	**$8,777**	**$41,362**
Decrease/(increase) in non-cash allowance for credit losses	556	(4,313)	(4,552)	(21,386)
Amortization of intangible assets	(712)	(593)	(1,371)	(1,184)
Operating Income	**1,542**	**16,074**	**2,854**	**18,792**
Other non-cash items	(163)	(513)	93	(454)
Income Before Taxes	**$1,379**	**$15,561**	**$2,947**	**$18,338**
Net Income	**$1,847**	**$9,651**	**$2,804**	**$11,330**
Earnings Per Share – Basic	**$0.11**	**$0.52**	**$0.17**	**$0.62**
Earnings Per Share – Diluted	**$0.10**	**$0.46**	**$0.16**	**$0.55**
Free Cash Flow(2)	**$365**	**$15,745**	**$6,094**	**$30,953**
Free Cash Flow Per Share – Diluted	$0.02	$0.75	$0.29	$1.48

(2) - See "Non-GAAP Measures" below.

Notes

(1) Origination volumes include contracts that were originated by the Canadian Auto Financing Segment and sold to investment managers and financial institutions.

(2) NON-GAAP MEASURES
Adjusted Operating Income and Free Cash Flow are not recognized measures under International Financial Reporting Standards and do not have standardized meanings. Therefore, these measures may be different from similarly labelled measures presented by other companies. Furthermore, these measures are based primarily on the significant banking and lending agreements of the Company and its subsidiaries to determine compliance with financial covenants and calculate permitted dividends and cash available for purchases of shares under the Company's normal course issuer bid.

“EBITDA” is Net Income (Loss) as presented in the unaudited interim condensed consolidated statements of income, adjusted to exclude interest expense, income taxes, depreciation and amortization and goodwill and intangible asset impairment. EBITDA is included in one of the Company’s significant bank agreements where it is used for financial covenant purposes.

“Adjusted EBITDA” is EBITDA as further adjusted for inclusion of interest on debt facilities as a deduction from net income (loss), and the removal of other non-cash or non-recurring items such as (i) non-cash gain (loss) on financial instruments and investments, (ii) non-cash unrealized gain (loss) on foreign exchange, (iii) non-cash share-based compensation expense, (iv) non-cash change in finance receivable allowance for ECL, (v) restructuring and other transaction costs, and (vi) any unusual and material one-time gains or expenses. Adjusted EBITDA is a measure of performance defined in one of the Company’s significant bank agreements and is the basis for the Company's Free Cash Flow (as defined below) calculation. Adjusted EBITDA is therefore included as a non-GAAP measure relevant for a wider audience of the Company’s financial reporting users.

"Adjusted Operating Income" is Operating Income (Loss) as presented in the unaudited interim condensed consolidated statements of income, adjusted to exclude the amortization of intangible assets and the change in allowance for ECL. Adjusted Operating Income is intended to reflect the recurring income from the Company's businesses. Amortization of intangible assets, which includes the expense related to broker relationships and software, is a function of acquisitions. The cost of maintaining the broker relationships after the acquisition, being internally generated intangible assets, cannot be measured and is therefore not recognized as an asset, meaning that once these acquisition-related intangibles have been fully amortized they are not replenished, and the amortization expense will cease. The change in the allowance for ECL can be calculated from the continuity of the allowance for ECL in Note 5(c) - Finance Receivables in the unaudited interim condensed consolidated financial statements as the difference between the provision for credit losses and the net charge-offs during a period. The change in allowance for ECL is a non-cash item. It reflects our creditor-approved formulas for Adjusted EBITDA and Free Cash Flow that drive our Maximum Permitted Dividends (as defined below), both relevant measures for the Company's financial reporting users.

"Free Cash Flow" or "FCF" is Adjusted EBITDA less maintenance capital expenditures, the tax effect of the non-cash change in the allowance for ECL and tax expense. Cash receives significant attention from primary users of financial reporting. Free Cash Flow provides an indication of the cash the Company generates that is available for servicing and repaying debt, investing for future growth and providing dividends to our shareholders. The FCF measure provides information relevant to assessing the Company's resilience to shocks and the ability to act on opportunities. Free Cash Flow is a calculation that reflects the agreement with one of the Company's significant lenders as a measure of the cash flow produced by the Company's businesses in a period. It is also management's view that the measure significantly reduces the impact of significant non-cash charges and recoveries that do not reflect the actual cash flows of the businesses, and can vary considerably in amount from period to period.

"Free Cash Flow per diluted share" is FCF divided by the weighted average number of shares outstanding during the period for income attributable to common shares and Exchangeable Securities on a fully diluted basis.

ABOUT CHESSWOOD GROUP LIMITED

Chesswood Group Limited is a Toronto, Canada based holding company whose subsidiaries engage in the business of specialty finance (including equipment finance throughout North America and vehicle finance and legal sector finance in Canada), as well as the origination and management of private credit alternatives for North American investors. Our shares trade on the Toronto Stock Exchange (under the symbol CHW).

For information on Chesswood Group Limited and its operating subsidiaries:
www.ChesswoodGroup.com

www.PawneeLeasing.com
www.VaultPay.ca
www.Rifco.net
www.EasyLegal.ca
www.TandemFinance.com
www.VaultCredit.com
www.WaypointInvestmentPartners.com

For further information:
Investor Relations - 416-386-3099 / investorrelations@chesswoodgroup.com
Media Inquiries - Ryan Marr, President & CEO - 416-386-3099 / rmarr@chesswoodgroup.com